Booking Holdings Inc. (Nasdaq: BKNG)
Recommendation: Long
Price: Current / Target: $1,801 / 2024: $3,276 (13% IRR)

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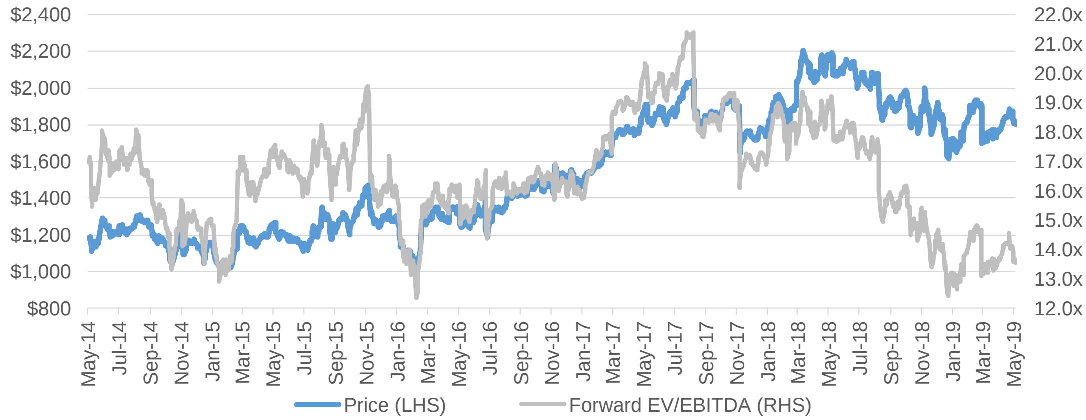
Price (5/6/2019)	**$1,801**
Shares Outstanding	45.0
Market Cap	**$81,046**
+ Total Debt	8,649
- Cash	11,778
Enterprise Valuation	**77,917**
Key Statistics:	
52 week high:	$2,201.8
52 week low:	$1,606.3
Avg Daily Vol (3 mn):	0.49
Avg Daily Liquidity:	$885
Short Interest:	2.7%
Dividend Yield:	n/a
Price Target:	
2024E Adj EBITDA	$8,421
Current Multiple	12.5x
2024 Price Target	**$3,276**
Return	82%
5-yr IRR	13%
Bull Price	$4,945
% Upside	175%
Bear Price	$1,616
% Downside	(10%)

US$mm	**2017**	**2018**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
Gross Bookings	$81,226	$92,731	$100,929	$109,016	$116,595	$124,162	$132,229	$140,829
% growth	*19.3%*	*14.2%*	*8.8%*	*8.0%*	*7.0%*	*6.5%*	*6.5%*	*6.5%*
Revenue	12,439	14,527	15,628	16,985	18,218	19,429	20,722	22,103
Adjusted EBITDA	4,867	5,729	6,157	6,624	7,032	7,500	7,895	8,421
% Margin	*39.1%*	*39.4%*	*39.4%*	*39.0%*	*38.6%*	*38.6%*	*38.1%*	*38.1%*
EPS	$47.78	$84.26	$99.74	$112.14	$124.34	$138.60	$152.24	$169.63
Free Cash Flow	4,374	4,896	4,839	5,234	5,540	5,902	6,217	6,636
Market Cap / FCF	18.5x	16.6x	16.7x	15.5x	14.6x	13.7x	13.0x	12.2x
EV / Adj EBITDA	16.0x	13.6x	12.7x	11.8x	11.1x	10.4x	9.9x	9.3x
P / E	37.7x	21.4x	18.1x	16.1x	14.5x	13.0x	11.8x	10.6x



Summary Investment Thesis and Recommendation

Booking Holdings Inc. ("Booking" or "BKNG") is the largest online travel company with a reported 28.3 million listings. Its brand portfolio includes several of the most recognized travel websites, generating $93 billion in bookings. The growth in the number of listings and bookings will continue to strength the barriers to entry and its network effects. Behind the capital efficient nature of the business is the agency model, which accounts for the majority of its booking, driving ~$5 billion per year in Free Cash Flow. Lastly, growth in worldwide travel spending and the percentage of that travel booked online will continue to provide tailwinds to Booking's business.

I recommend buying shares of BKNG at its current price level. The management team is led by a CEO who has been with the business since its beginning and has proven his capital allocation decision-making ability. Most importantly, I believe the current valuation, strength of the business model, and large FCF offer limited downside. I expect BKNG to grow earnings by 10-15% per year with limited risk of margin compression while trading significantly below average levels.

Investment thesis summary:

1. High barriers to entry and network effects strengthen with increasing scale providing significant competitive advantages
2. Bookings growth tailwind from global travel spend and online penetration growth
3. Highly capital efficient, high-quality business model

Why does the opportunity exist?

BKNG valuation is down considerably over the past several years due to slowing growth and competition concerns, primarily from Google and Airbnb. While the full extent of the threat of the Google Hotel Ads service is unknown, I believe the current valuation level represents an attractive entry point for a high-quality business that continues to strength its competitive advantage as it grows. I don't believe Google aspires to become an online travel agency (OTA) and it benefits from its relationship with Booking as much as Booking benefits from the traffic generated from Google's search.

Business Overview

Company History

Booking was founded in 1997 by Jay Walker as Priceline.com, whose business model began with its Name Your Own Price service for airline tickets. Priceline.com went public in 1999 and moved beyond the NYOP service in 2003 when it entered the retail air space. In 2004, the company bought ActiveHotels.com, then a leading online hotel booking service in Europe. In 2005, it acquired Booking.com and combined it with Active Hotels.

Booking.com transformed the way travel companies market themselves, and consumers make hotel reservations. Over the next decade, the platform expanded to a full-service OTA with accommodations in the U.S. and Asian Pacific markets. In 2010, Priceline surpassed Expedia to become the world's largest online hotel reservation service. The acquisition of Booking.com in 2005 is considered one of the most profitable internet acquisitions in recent history. In 2018, Priceline Group officially changed its name to Booking Holdings.

Select Acquisition History

Target Company	Date	Purchase Price
ActiveHotels.com	2004	$165 million
Booking.com	2005	$135 million
Rentalcars.com	2010	Undisclosed
KAYAK	2013	$1.8 billion
OpenTable	2014	$2.6 billion

Business Summary

Booking is the largest online travel company and operates 6 primary brands: Booking.com, Kayak, Priceline, Agoda, Rentalcars.com, OpenTable. The company reports 89% of its revenue as international, which includes the results of Booking.com, Agoda, and Rentalcars.com and the international business of KAYAK and OpenTable. All revenue in these divisions is included as international regardless of the location of the consumer or the service provider. A significant majority of its revenue is earned in connection with facilitating accommodation reservations. Booking does not breakout revenue by website or geography, however, it discloses that ~76% ($11.1 billion) of its revenue is derived in The Netherlands where Booking.com is headquartered. This write-up will focus on the Booking.com accommodation business.

Booking Holdings Brands

Booking gets paid when consumers book travel services through one of their websites. Booking.com had approximately 2.3 million directly bookable hotels and other places to stay available through its platforms, representing more than 28.3 million reported listings, as of 3/31/19. Based on room nights booked of 579.8 million in 2018, Booking is the largest online accommodation reservation

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service in the world. It earned $14.5 billion in revenue on $92.7 billion in gross travel bookings (15.7% as a % of gross bookings). Booking.com offers accommodation reservation services in over 230 countries and territories and in over 40 languages.

Online Travel Competitive Landscape

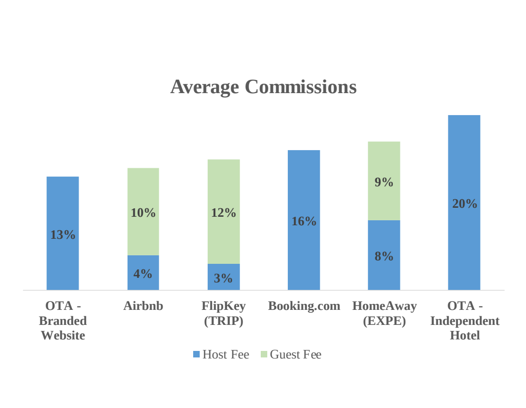
Online Travel Landscape			
Travel Provider	**Description**	**Payment Structure**	**Primary Competitors**
Online Travel Agency (OTA)	Similar to a traditional travel agent. The OTA offers information. Consumers often use the OTAs in the early stages of preparing for a trip.	Hotels listings are free and OTA receive a 10-20% commission	Expedia (Hotwire, Orbitz, Travelocity, Hotels.com)
Metasearch/Top-of-funnel	The room supply, hotel choice, and rates across the OTAs are not uniform as they all have different contracts, partnerships and inventory. Metasearch sites came up to aggregate the various OTA offerings. Bookings are generally not made on the metasearch site itself, but rather customers are redirected to the OTA or hotel.	Similar to advertising and is based on a cost-per-click	Trivago (Expedia), TripAdvisor
Alternative bookings / vacation rentals	Interest in the alternative space as increased recently due to growth of Airbnb and other home sharing sites. As a response, the OTAs have grown their alternative offerings through acquisition or through listing alternatives on their existing platform.	Consists of a combination of commissions paid by the host and fees paid by the guest	Airbnb, Expedia (HomeAway, VRBO), TripAdvisor (FlipKey, Holiday Lettings, Vacation Home Rentals, Niumba)
Search Engine	Basically, offers its own metasearch in between paid results and organic search	None to BKNG	Google
Direct booking	Customers book travel directly on the hotel's website	None to BKNG	Hilton, Starwood, Wydnam, Accor, Choice, Marriot, etc

Booking.com Business Model

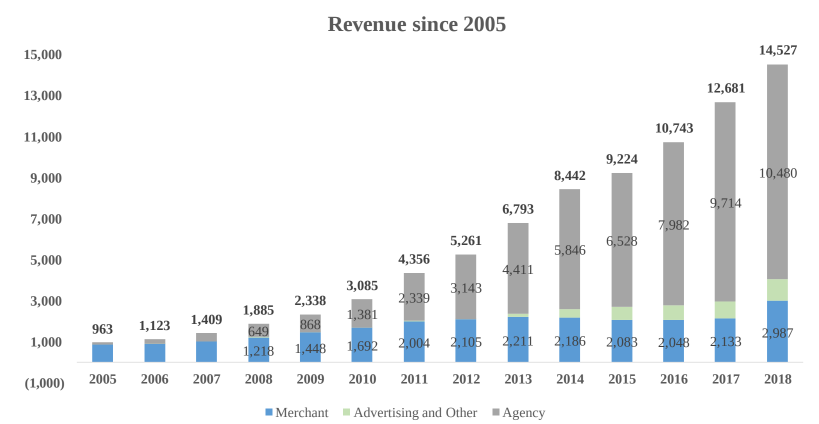
Most travel sites follow one of two models. The "merchant model", such as Expedia and most U.S.-based sites, that buys blocks of unbooked rooms at a discount and marks them up for a profit. Travelers pay the OTAs at the time of booking and the OTAs pay the hotels only after check-out. The take-rates are usually 20-30% under the merchant model. Alternately, the "agency model" works with the OTA serving as a middleman and doesn't collect any cash up front. The OTA collects a commission of 10-15% under the agency model. In the U.S. the merchant model became the norm given a small number of major hotel chains that dominated the market. The large discounts enticed customers to pay at the time of booking. Outside the U.S., the hotel market is extremely fragmented, with no chain dominating the market. Bookings.com recognized the value of the agency model in the European market and expanded its property listings under that model aggressively.

Agency bookings represent ~80% of gross bookings for BKNG. This value proposition of the agency model in Europe can be observed in the lower take-rates paid by large hotel chains and the higher take-rates paid by small, independent hotels. In fact, the large international chains account for only 15% of Booking's business.

Agency Business Model Growth



Source: Skift Research.



Source: Company filings.

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The value offering across the OTAs is quite similar, leading the OTAs to compete by offering a broad and varied inventory of rooms to differentiate a platform. Alternative accommodations are becoming a more important part of Booking's business. In 2018, Booking.com had over 5.7 million reported alternative accommodation listings, which accounted for ~$2.8bn in revenue (~20%). Approximately 40% of Booking.com's active customers booked an alternative accommodation property over the past year.

Driving traffic to the BKNG sites is key to bookings growth. Google search is the primary vehicle for traffic acquisition for major OTAs, suppliers, and metasearch channels. In 2017, the travel category paid Google an estimated $14 billion in marketing expenses. According to Google, over 60% of leisure travelers begin their search process on its site. For BKNG, performance and brand marketing accounts for the majority of operating expenses and the ROI is not considered by industry exports to be very high. Booking's direct channel represents over 50% of booked room nights, including organic, unpaid search traffic from Google.

According to industry experts, in the U.S., most travelers prefer to shop for travel services via an OTA (51%) versus a supplier (36%) but only end up booking the service on the OTA website about 25% of the time. For those who book through the OTA, the main factor tends to be the breadth of selection. While, for those who booked directly with a supplier, the member rewards program was the primary reason for booking direct. One can expect both sides to continue to develop the others strength to compete for bookings.

Mobile is also a key differentiator for OTAs and the Booking mobile platform is strong, with over half of room nights booked coming from a mobile device. This is up from 1/3 just a few years prior. This shift to mobile benefits OTAs versus direct booking with the suppliers. It also helps Booking reduce its reliance on Google because the booking app doesn't require a search to start on google.

Management Overview

The management team is led by Glenn Fogel, CEO and President, who has been with the company for ~20 years and was the EVP, Corporate Development until 2017. As the Head of M&A at the time, he had originally met the founders of Active Hotels and Bookings.com in the early 2000s and led Priceline's efforts to acquire each company and then merge them. He has been heavily involved in each acquisition and is significantly invested in the company with ~$50 million of net worth tied into the business.

Executive compensation uses a single EBITDA performance metric, which seems appropriate given the business model.

Investment Thesis #1: High barriers to entry and network effects strengthen with increasing scale providing significant competitive advantages

Booking is the largest online accommodation reservation service in the world with approximately 2.3 million directly bookable places to stay available through its platforms, representing more than 28.3 million reported listings. Booking has developed its portfolio of brands into highly recognizable and powerful brands and the company uses its FCF to continually reinvest. The scale of the available listings is the driving force behind several key competitive advantages for BKNG:

1. *Barriers to entry*

   For consumers who book travel through an OTA, the primary criteria used in selecting the website is the breath of selection available. Booking's direct channel accounts for ~50% of booked room nights and performance marketing, which a new entrant would have to rely on, is extremely expensive. Even if a new entrant could get lots of hotels to sign up on an agency model, they would have to spend a huge amount optimizing their website and search capabilities.

2. *Network effects*

   Two-sided network effects are very strong for OTAs. Consumers prefer to use the service with the best selection and service providers want to advertise their properties on the service with the most consumer traffic. Booking.com had 427 million total visits in March 2019 compared to 64 million at Expedia.com and 84 million at Airbnb. Booking.com also has over 25 million verified destination reviews for potential travelers to read. The presence of the network effects works to enhance the barriers to entry.

3. *Economies of scale*

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Booking spent approximately $5 billion on performance and brand marketing in 2018. Their scale allows them to outspend new entrants and smaller competitors. The majority of hotel operators cannot afford to spend anything close to what Booking can on marketing. Listing their hotel on Booking is the only way to reach so many potential travelers.

4. *Pricing power*

The majority of Bookings.com revenue comes from its agency model in the European hotel business where the fragmented hotel market allows Bookings to maintain commission rates well above the level large chains pay in the US.

Investment Thesis #2: Bookings growth tailwind from global travel spend and online penetration growth

According to Phocuswright data, the global travel market will total $1.7 trillion in 2019. Booking's accommodation business not only provides most of the company's revenue but is also the growth engine. Bookings growth is expected to be driven by offline-to-online booking, adoption of mobile devices, and growth of travel in Asia Pacific. These trends should provide a tailwind to bookings even in the face of slowing growth and increased competition.

Per Phocuswright, the accepted data source in the industry, hotel online penetration in 2018 in the US is ~43%, 39% in EU, 37% in APAC, 29% in LATAM, and 36% in ME for a global average of 39%. Phocuswright's estimates are for the online bookings of hotels to go from $201 bn in 2018 to $254 bn in 2021 (or an ~8% CAGR) driven by online penetration increasing from 39% to 42% (likely conservative), and the hotel market growing at 5% which is reasonable given travel grows faster than nominal GDP.

The vacation rental / sharing economy market will grow from about $160 bn in 2018 to $230 bn in 2021 (~13% CAGR) which will help Booking's growth rate. While Booking's main business is hotels, it also has a very sizeable alternative accommodations business.

Investment Thesis #3: Highly capital efficient, high-quality business model

The key to BKNG's capital efficiency is its agency business model. Signing up new properties under the agency model requires far less effort than under the merchant model. It eliminates the need for a large sales force to bring new hotels around the world into the program and to negotiate complex contracts to buy hotels' unbooked rooms. BKNG has higher revenue and EBITDA off lower bookings compared to EXPE and highlights the FCF generation abilities of the business.

BKNG vs. Peers

Key Metric	BKNG	EXPE	TRIP
Bookings ($bn)	$92.7	$99.7	Metasearch
Revenue ($bn)	$14.5 (15.7%)	$11.2 (11.3%)	$1.6
Revenue Growth	14.6%	11.6%	3.8%
EBITDA ($bn)	$5.7	$2.0	$0.4
FCF / Revenue	33.7%	9.8%	21.3%
ROA	18.5%	4.9%	10.8%
Listings	2.3 million	>1 million	Metasearch

Booking is a very high-quality business. It generated $5.3 billion in operating income with just $0.7 billion PPE and negative net working capital. The balance sheet is clean with $6.2 billion of cash and short-term investments, $8.4 billion in long-term investments, and only $8.6 billion in long-term debt. The business generated $5.3 billion of cash from operations and spent only $400 million on capex. The 34% FCF margin allowed BKNG to repurchase $6 billion of its shares in 2018.

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Valuation

The market is currently valuing BKNG at 13.0x forward EBITDA, 18.5x forward PE, and a 6.0% FCF yield. Since 2010, the average EV/EBITDA and PE multiples are ~16x and ~21x, respectively. My 5-year price target is $3,276 and represents an 82% upside return in my base case or a 13% IRR over the 5-year holding period. The base case assumes high single digit bookings growth, steady margins, and continued strong FCF generation that builds as cash and is used to repurchase shares. The combination of these factors should allow earnings per share to grow by 10-15% per year. The price target conservatively values BKNG at 12.5x EBITDA, 18x FCF, and 19x earnings. Discounting the price target back to today at 10% arrives at a price of $2,034, allowing for a margin of safety.

My bull and bear price are $4,945 and $1,616, respectively. The bear scenario represents a 10% decline from today's level and is protected by the current below average valuation and the FCF generation (assumed to repurchase shares in model).

Consensus Estimates vs. Base Case Model

Consensus vs. Base Case Model

	2019E		2020E		2021E	
	Estimate	Multiple	Estimate	Multiple	Estimate	Multiple
Revenue						
Consensus	15,472	5.0x	17,083	4.6x	18,916	4.1x
Model	15,628	5.0x	16,985	4.6x	18,218	4.3x
Adjusted EBITDA						
Consensus	5,971	13.0x	6,562	11.9x	7,295	10.7x
Model	**6,157**	**12.7x**	6,624	11.8x	7,032	11.1x
Free Cash Flow						
Consensus	4,873	16.6x	5,569	14.6x	6,171	13.1x
Model	**4,839**	**16.7x**	5,234	15.5x	5,540	14.6x
FCF Yield	*6.0%*		*6.5%*		*6.8%*	
EPS						
Consensus	$97.50	18.5x	$109.89	16.4x	$125.80	14.3x
Model	$99.74	18.1x	$112.14	16.1x	$124.34	14.5x

Source: Company Filings. Wall Street Research. Financial Model.

Risk / Reward Analysis – 2024 Price Target

Risk / Reward - 2024 Target Price

		Bear Case		Base Case		Bull Case	
		Estimate	Multiple	Estimate	Multiple	Estimate	Multiple
Revenue		$16,120	3.3x	$22,103	4.8x	$25,018	6.4x
Adjusted EBITDA		5,304	10.0x	8,421	12.5x	10,708	15.0x
Free Cash Flow		4,104	14.3x	6,636	17.9x	8,486	21.1x
FCF Yield		*7.0%*		*5.6%*		*4.7%*	
EPS		$104.03	15.5x	$169.63	19.3x	$218.69	22.6x
	Entry May 2019	**Exit - May 2024**					
Stock Price	**$1,801**	**$1,616**		**$3,276**		**$4,945**	
Shares O/S	45.0	36.2		36.2		36.2	
Market Cap	$81,046	$58,534		$118,626		$179,076	
Net Debt	($3,129)	($5,498)		($13,361)		($18,461)	
Enterprise Value	$77,917	$53,036		$105,264		$160,615	
Total Return		**(10%)**		**82%**		**175%**	
5-yr IRR		**(2%)**		**13%**		**22%**	
PV of Target Price @ 10%		$1,004		$2,034		$3,070	

Source: Company Filings. Financial Model.

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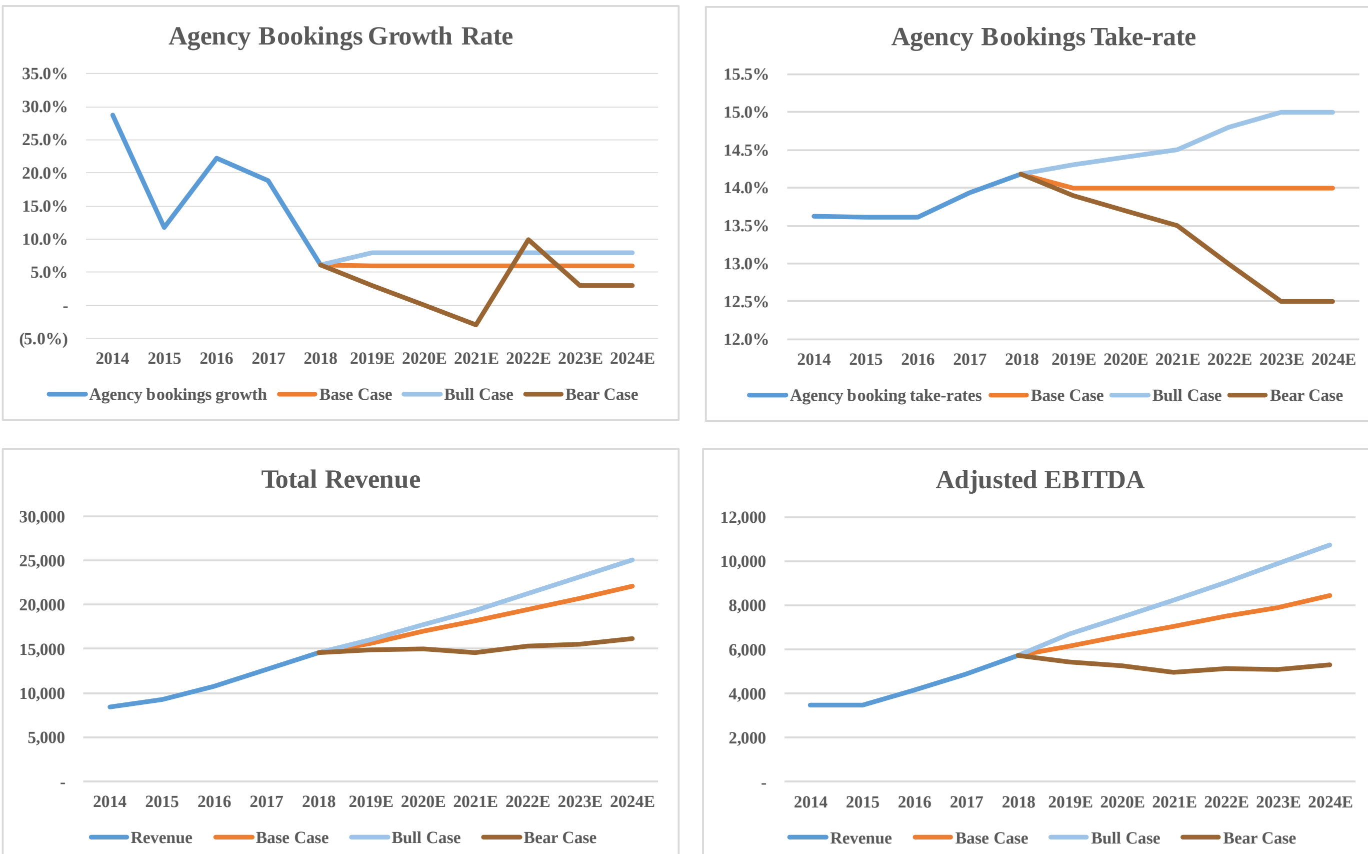
The key operating metrics, bookings growth and take-rate, for each operating case is shown below. My model assumes that bookings growth and take-rates hold constant in base case given increased competition mitigated by industry tailwinds. The resulting revenue and Adjusted EBITDA are also charted.

Model Scenarios



Source: Company Filings. Financial Model.

Key Investment Risks

1. Threat from Google

Google earned an estimated $14 billion in revenue from the travel industry in 2017. The search engine is the primary vehicle for traffic acquisition for major OTAs, suppliers, and metasearch channels. A significant majority of travelers begin their search on Google. Google makes most of its money through its Google Hotel Ads service where industry participants bid on relevant keywords. In 2011, Google introduced its own metasearch option for flights and hotels, which has continued to grow. Google places its metasearch platform right below the paid ad words and above the unpaid organic search results. About 50% of BKNG's bookings represents organic traffic, which includes unpaid search from google. See the appendix for a graphic representation of the Google search page. The Google metasearch includes a comparison of prices from a list that includes the OTAs and the direct hotel listing. The threat is that Google charges a 10-15% commission, favoring smaller hotels, which account for the highest take-rates for the OTAs. With that said, the scale of the major OTAs mitigates the advantage of the Google metasearch. Also, 50% of bookings for BKNG come from a mobile device, favoring travelers cutting Google out of the top of the funnel.

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Separately, I don’t believe Google is trying to become an OTA. It does not have the OTA CRS technology, the deep industry distribution and revenue management expertise, the local sales force and offices needed to sign up hotel supply, customer service or support.

2. **Hotel direct sales channels**

Travel service providers have long preferred customers book directly with the airline or hotel. They use loyalty programs a means to achieve the goal of direct booking, which removes the commission they must pay to the OTAs. Consumers cannot participate in the loyalty program when booking through an OTA. BKNG is well-positioned to deal with this risk as a large percentage of their business is in Europe where the hotel industry is much more fragmented. In fact, the large international chains are only ~15% of Booking’s business. Also, based on a research report from Infrata, if a hotel were to shift the entire inventory of the OTA to their brand, there would be a statistically insignificant change in the overall net contribution after the cost rebalancing (decreased occupancy, increased customer acquisition, marketing, services, etc).

3. **Customer acquisition costs**

The bear argument includes fears that the travel companies will continue to increase marketing spend in order to compete for consumer traffic to their websites. The more spent on paid search on paid search channels is usually indicative of bookings growth, however, Booking has recently reported that its ROI on marketing has been decreasing. In FY18, BKNG decreased its performance marketing by nearly 300 bps (% of revenue) and Expedia quickly followed suit. Given the quality of the management teams at the leading travel companies, I believe this is not a material risk to the investment.

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Financial Model

Financial Model – Base Case

Key Financial Summary (Base Case)	**For the years ending December 31,**										
(Figures in millions USD)	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
Gross Bookings											
Agency	42,892	47,969	58,638	69,697	73,919	78,354	83,055	88,039	93,321	98,920	104,856
Merchant	7,409	7,559	9,449	11,529	18,812	22,574	25,961	28,557	30,841	33,308	35,973
Total	**50,301**	**55,528**	**68,087**	**81,226**	**92,731**	**100,929**	**109,016**	**116,595**	**124,162**	**132,229**	**140,829**
Agency bookings growth	*28.8%*	*11.8%*	*22.2%*	*18.9%*	*6.1%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*
Merchant bookings growth	*26.2%*	*2.0%*	*25.0%*	*22.0%*	*63.2%*	*20.0%*	*15.0%*	*10.0%*	*8.0%*	*8.0%*	*8.0%*
Total bookings growth	*28.4%*	*10.4%*	*22.6%*	*19.3%*	*14.2%*	*8.8%*	*8.0%*	*7.0%*	*6.5%*	*6.5%*	*6.5%*
Room nights (millions)	346	432	557	673	760						
Properties (000s)	600	850	1,115	1,586	2,180						
Total Revenue	**8,442**	**9,224**	**10,743**	**12,681**	**14,527**	**15,628**	**16,985**	**18,218**	**19,429**	**20,722**	**22,103**
% growth	*24.3%*	*9.3%*	*16.5%*	*18.0%*	*14.6%*	*7.6%*	*8.7%*	*7.3%*	*6.6%*	*6.7%*	*6.7%*
Agency booking take-rates	*13.6%*	*13.6%*	*13.6%*	*13.9%*	*14.2%*	*14.0%*	*14.0%*	*14.0%*	*14.0%*	*14.0%*	*14.0%*
Merchant booking take-rates	*29.5%*	*27.6%*	*21.7%*	*18.5%*	*15.9%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*
Total operating expenses	4,511	5,333	7,422	7,901	9,186	9,924	10,853	11,714	12,493	13,428	14,323
Operating income	**3,073**	**3,259**	**2,906**	**4,538**	**5,341**	**5,704**	**6,131**	**6,504**	**6,936**	**7,294**	**7,780**
% margin	*40.5%*	*37.9%*	*28.1%*	*36.5%*	*36.8%*	*36.5%*	*36.1%*	*35.7%*	*35.7%*	*35.2%*	*35.2%*
Total other expenses	(84)	(131)	(193)	(139)	(506)	(143)	(147)	(152)	(157)	(162)	(167)
Earnings before income taxes	2,989	3,128	2,713	4,399	4,835	5,561	5,984	6,352	6,779	7,132	7,613
Income tax expense	568	577	578	2,058	837	1,168	1,257	1,334	1,424	1,498	1,599
Net income	**2,422**	**2,551**	**2,135**	**2,341**	**3,998**	**4,393**	**4,727**	**5,018**	**5,356**	**5,635**	**6,014**
% margin	*31.9%*	*29.7%*	*20.7%*	*18.8%*	*27.5%*	*28.1%*	*27.8%*	*27.5%*	*27.6%*	*27.2%*	*27.2%*
Earnings per share	$ 46.30	$ 50.09	$ 43.14	$ 47.78	$ 84.26	$ 99.74	$ 112.14	$ 124.34	$ 138.60	$ 152.24	$ 169.63
Weighted average common shares outstanding	52.3	50.9	49.5	49.0	47.4	44.0	42.2	40.4	38.6	37.0	35.5
Adjusted EBITDA	**3,464**	**3,475**	**4,139**	**4,867**	**5,729**	**6,157**	**6,624**	**7,032**	**7,500**	**7,895**	**8,421**
Adjusted EBITDA margin	*45.7%*	*40.4%*	*40.1%*	*39.1%*	*39.4%*	*39.4%*	*39.0%*	*38.6%*	*38.6%*	*38.1%*	*38.1%*
Balance Sheet											
Cash, Beginning of Period						11,778	13,117	14,851	16,891	19,293	22,010
(+) Equity proceeds						-	-	-	-	-	-
(+) Free Cash Flow						4,839	5,234	5,540	5,902	6,217	6,636
(-) Buybacks and dividends						(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)
Cash, End of Period					11,778	13,117	14,851	16,891	19,293	22,010	25,147
Free Cash Flow											
Net income	2,422	2,551	2,135	2,341	3,998	4,393	4,727	5,018	5,356	5,635	6,014
(+) D&A	208	272	309	363	426	453	493	528	563	601	641
(+) SBC	189	249	250	261	331	359	391	419	447	477	508
(+/-) Other	123.0	14.0	1,055.0	1,404.0	468.0	-	-	-	-	-	-
(-) Increases to NWC	(27.0)	15.0	235.0	293.0	115.0	102	133	121	119	127	136
Operating cash flow	**2,914.6**	**3,101.9**	**3,984.0**	**4,662.0**	**5,338.0**	**5,307.7**	**5,743.8**	**6,086.4**	**6,484.9**	**6,839.1**	**7,299.3**
(-) Capex	(131.5)	(173.9)	(220.0)	(288.0)	(442.0)	(468.8)	(509.5)	(546.5)	(582.9)	(621.7)	(663.1)
Free cash flow	**2,783.1**	**2,927.9**	**3,764.0**	**4,374.0**	**4,896.0**	**4,838.9**	**5,234.2**	**5,539.8**	**5,902.1**	**6,217.4**	**6,636.3**
FCF Margin	*36.7%*	*34.1%*	*36.4%*	*35.2%*	*33.7%*	*31.0%*	*30.8%*	*30.4%*	*30.4%*	*30.0%*	*30.0%*
Stock buybacks						(3,500.0)	(3,500.0)	(3,500.0)	(3,500.0)	(3,500.0)	(3,500.0)
Cash dividends						-	-	-	-	-	-
Cash Flow after Stock Buybacks and Cash Dividends						**1,338.9**	**1,734.2**	**2,039.8**	**2,402.1**	**2,717.4**	**3,136.3**

Source: Company Filings. Financial Model.

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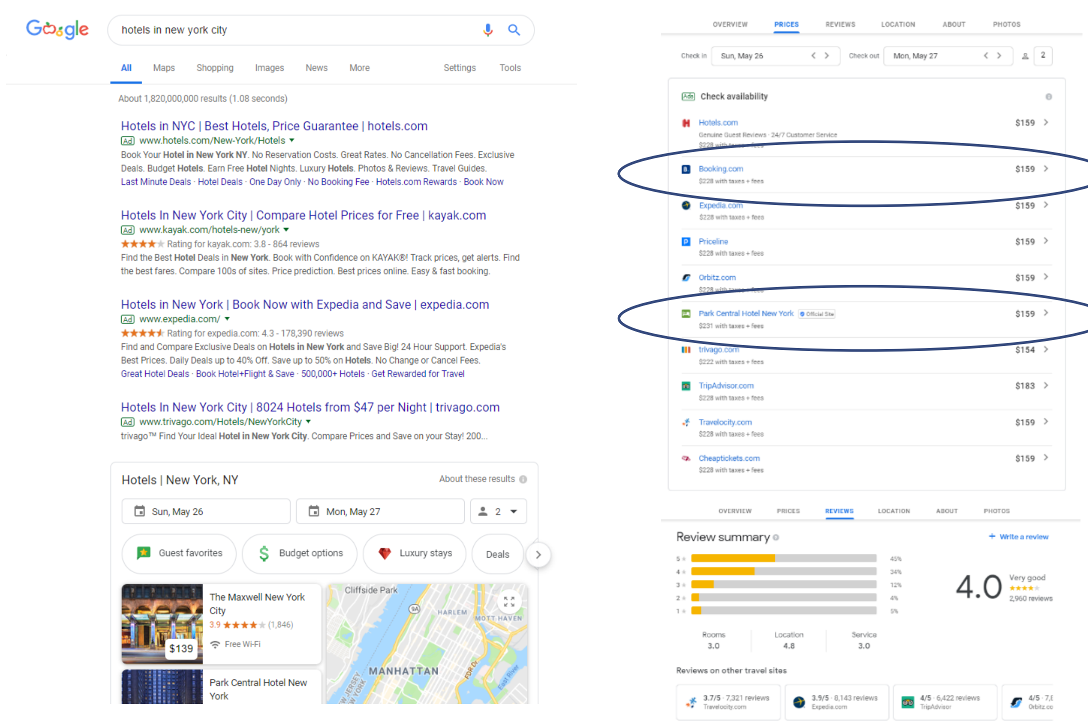
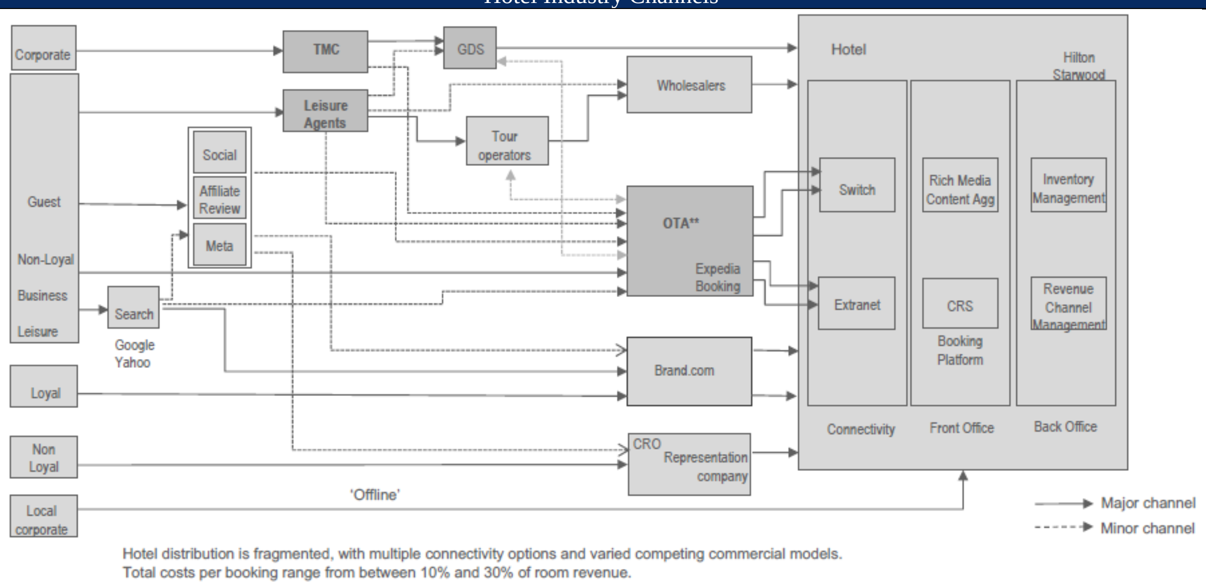
Appendix

Google Metasearch



Source: Google.com.

Hotel Industry Channels



Source: Infrata.